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Review of the efficiency of the administrative and financial functioning of the United Nations

Comprehensive report on United Nations procurement activities

Report of the Secretary-General*

Summary

The present report is submitted to the General Assembly pursuant to the Assembly's requests in its resolutions 61/246 and 61/276, also taking into account the request made in its resolution 61/279. The report provides information on the procurement activities of the Secretariat for the last 12 months, in particular the efforts undertaken towards the implementation of the procurement reform agenda, which was proposed in the report of the Secretary-General of 14 June 2006 (A/60/846/Add.5 and Corr.1). The report also provides details and describes the approach taken by the Secretariat on a number of measures designed to: (a) strengthen the system of internal control; (b) optimize the acquisition process; and (c) enhance strategic management over United Nations procurement activities.

The Secretariat is striving to its utmost to advance the procurement reform agenda within the shortest time frame while continuing to ensure the efficient execution of the Organization's mandates. The continued support of Member States is therefore required to maintain the momentum of the procurement reform programme.

The procurement reform programme will evolve to embrace new commercial, social and legal concepts and issues. The Secretary-General will therefore continue to provide the General Assembly with timely and relevant updates on the progress of the efforts of the Secretariat in reforming the United Nations procurement function.

* The present report was submitted after the scheduled date for submission due to the need for extensive consultation with a number of other departments and offices within the Secretariat and because of its wide scope and comprehensive nature.

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I. Introduction

1. At its sixtieth session, the Secretary-General transmitted to the General Assembly a report on procurement reform (A/60/846/Add.5 and Corr.1). The report was submitted to the Assembly pursuant to its request in its resolution 60/260, and after its consideration of the report of the Secretary-General entitled, "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692 and Corr.1). The report of the Secretary-General provided detailed information on the United Nations procurement reform activities and described major developments and actions taken by the Secretariat in three primary areas to address challenges arising from the significant increase of procurement requirements, particularly for peacekeeping operations. The report focused on: (a) the strengthening of the Organization's internal control system over its procurement activities; (b) the optimization of the United Nations acquisition process; and (c) the strategic management of United Nations procurement.

2. The present report outlines the major procurement-related activities undertaken by the Secretariat over the last few months and provides an update on the status of procurement reform since the consideration of the above-mentioned report (A/60/846/Add.5 and Corr.1) and the adoption of General Assembly resolution 61/246. It also responds, in particular, to the requests of the General Assembly for information on a number of issues relating to the efficient management of the United Nations acquisition process, including (a) proposals on matters related to conflict of interest; (b) review of the governance structure; (c) increased opportunities for vendors from developing countries and countries with economies in transition; (d) simplifying and streamlining of the vendor registration process; (e) modalities of the proposed bid protest system; (f) implementation of the best value for money principle; (g) strengthening of the accountability framework; (h) improvement in the timeliness of the payment of invoices; (i) increase in staff training and development programmes; (j) improvement of the website of the Procurement Division; and (k) identification of the Procurement Division's requirements for the development of the enterprise resource planning system.

II. Progress on the implementation of procurement reform

3. The establishment of the Procurement Reform Implementation Team to coordinate the procurement reform agenda was among the first major actions undertaken by the Procurement Division of the Secretariat following the adoption of General Assembly resolution 61/246. The team is mandated to implement a number of initiatives and programmes designed to strengthen internal controls, optimize the acquisition and management processes, and enhance the strategic management of procurement within the 18-month period, from December 2006 to June 2008. A total of 74 actionable items were proposed in the report of the Secretary-General (A/60/846/Add.5 and Corr.1): 27 of the deliverables were listed as main actionable items, while a further 47 were sub-actionable. As of 30 October 2007, the overall rate of reform implementation was 47.3 per cent (see table 1).

Table 1
Implementation rate of 74 proposed reform activities as at 31 July 2007

				Rate of implementation		
Proposed measures	*Main actions*	*Sub-items*	*Total*	*Completed*	*In progress*	*Not started*
No. of items	27	47	74	35	34	5
Percentage			100	47.3	45.95	6.76

4. With regard to the 27 main reform deliverables proposed in the report of the Secretary-General (A/60/846/Add.5 and Corr.1), the implementation rate is 37.04 per cent, while 62.96 per cent, or 17, are in various phases of implementation (see table 2).

Table 2
Implementation of the 27 main reform measures

	Completed		*In progress*		
	No.	*Percentage*	*No.*	*Percentage*	*No. of items*
Internal control	8	44.44	10	55.56	18
Acquisition and planning	1	20.00	4	80.00	5
Strategic management	1	25.00	3	75.00	4
Total	**10**		**17**		**27**
Percentage	37.04		62.96		100

5. Progress on the implementation of reform agenda cannot be rushed due to the nature and complexity of some of the reform initiatives, such as the establishment of an independent vendor review mechanism and the simplification and streamlining of the vendor registration process. The full implementation of these activities depends to a large extent on the level of cooperation and support of other organizations of the United Nations system and the future development of appropriate information technology systems.

6. The Secretariat is strongly committed to the establishment of a robust system for the implementation of proactive procurement reform, which will result in a procurement process that is cost effective, efficient, fair, transparent and supported by a proper evaluation and compliance monitoring system. The Procurement Division is now broadening its focus on certain peripheral activities that form an integral part of the procurement process, including (a) ensuring adequate procurement planning; (b) training of requisitioners for quality input into the procurement process and (c) having a collaborative chain of expertise, organization and staff from diverse cultures and backgrounds to execute the procurement function.

7. The next phase of reform will require, more than ever, the continued cooperation and support of other United Nations departments and offices, the general public and Member States in order to assist the Secretariat in conducting

activities in a fair and transparent manner. This will also result in more efficient management of contracts to the benefit of customers and in the interest of achieving the best value for money principle.

III. Strengthening the internal control mechanism of the United Nations procurement function

A. Organizational support mechanisms

8. In May 2007, in order to enhance the continuous review and strengthening of internal control measures (in accordance with A/60/846/Add.5 and Corr.1), the Planning, Compliance and Monitoring Section was established within the Procurement Division. The primary responsibilities of the Section include the coordination of acquisition planning; the ongoing monitoring of compliance with procurement policies, guidelines and procedures; the review and implementation of the findings and recommendations of the oversight bodies; and the continued development and presentation of ethics and integrity programmes and other initiatives to promote the highest standard of ethical conduct among all staff involved in the acquisition process, following the development of standards and policies by the Procurement Reform Implementation Team.

9. The creation of the Planning, Compliance and Monitoring Section has yielded immediate results, the most significant of which has been an improvement in the timeliness of the response of the Procurement Division to the findings and recommendations of the oversight bodies. The conduct of management reviews of procurement activities at peacekeeping missions by the Monitoring Section is consistent with the Division's thrust to improve risk management.

B. Ethics, integrity and conflict of interest

10. The Charter of the United Nations stipulates that the paramount consideration in the employment of staff and in the determination of the conditions of service shall be the necessity of securing the highest standard of efficiency, competence and integrity. Integrity is one of the core values of the Organization. As stated in the new guide to staff, entitled "Working together, putting ethics to work", which was launched by the Secretary-General on 22 May 2007, integrity includes, but is not limited to, probity, impartiality, fairness, honesty and truthfulness in all matters affecting work. These qualities provide a basis for ethical decision-making in instances when staff members face complex situations in the proper application of the Staff and Financial Regulations and Rules of the Organization, where a conflict between professional and private interests arises or where special considerations have to be taken into account.

11. In such cases, staff members are expected to:

(a) Demonstrate in practice the values of the United Nations;

(b) Make decisions without consideration as to personal gain;

(c) Avoid being influenced by political pressure in their decision-making process;

(d) Ensure that official power or authority is not abused;

(e) Seek to promote the Organization's interests at all times;

(f) Take prompt and effective action to deal with unprofessional or unethical behaviour.

12. The Secretary-General is committed to the promotion and maintenance of the highest ethical standards at the United Nations. All staff members of the Organization are required to adhere to the highest standards of efficiency, competency and integrity and to be guided by the highest ethical standards in the performance of their duties. In order to promote awareness and compliance with the foregoing principles, the Secretariat has developed and is in the process of delivering a training module on ethics and integrity in procurement, which is mandatory for all procurement staff. Training in ethics and integrity has already been given to staff engaged in the acquisition process at Headquarters, and it is intended that similar training sessions will be held at offices away from Headquarters and at peacekeeping missions.

13. "Conflict of interest" is not officially defined under current United Nations regulations and rules. The Staff Regulations and Rules of the Organization address conflict of interest from the perspective of the prohibited conduct and the application of sanctions. Generally, conflict of interest refers to any situation or circumstance in which a staff member would appear to benefit improperly, or to allow a third party to benefit improperly, from an association in the management or the holding of a financial interest in an enterprise that engages in any business or transaction with the Organization. It includes any situation whereby staff may be involved in assisting a private or a governmental entity or person in their dealings with the Organization where this might lead to actual or perceived favour, or where staff may have a particular private interest that could bias, improperly influence or adversely affect the manner in which they conduct their official duties.

14. Conflict of interest in procurement and contracting activities refers to a specific situation where the private interest of the individual takes precedence, to the detriment of the interest of the Organization. The existence of such conflict undermines adherence to ethical behaviour and the staff member's duties as an international civil servant. Conflict of interest, which can take many forms, indicates that there is a clash between the interest of the Organization and personal views, political activities and other outside occupations, including the receipt of gifts and favours. In this regard, staff regulation 1.2 (g) prohibits staff from using their office or knowledge gained from their official functions for private gain, financial or otherwise, or for the private gain of any third party, including family, friends or those they favour, and from using their office for personal reasons to prejudice the positions of those they do not favour. In fact, conflict of interest is often associated with other prohibited conduct such as misuse of official equipment, facilities and other resources, or violation of confidential information, contrary to the core values of the Organization.

15. The basic obligations of staff members in this respect are contained in article I of the Staff Regulations and chapter I of the Staff Rules, as amended by General Assembly resolution 52/252. They are further explained in the "Standards of Conduct for the international civil service", adopted in 2001 by the International Civil Service Commission. These provisions are published in the Secretary-

General's bulletin of 1 November 2002 (ST/SGB/2002/13), which also provides a commentary to help staff members in understanding its provisions. The provisions apply to all categories of staff at all levels (staff holding appointments under 100, 200 and 300 series of the Staff Rules), including staff of separately funded funds and programmes.

16. The policy promulgated by the Secretary-General in his bulletin of 26 December 2006 on post-employment restrictions (ST/SGB/2006/15) addressed, for the first time, a unique circumstance with a high potential risk of conflict of interest. The measure applies to all staff members "participating in the procurement process", an expression defined to include staff having a personal, significant and substantive involvement in any of the following activities: (a) drafting, reviewing or approving specifications or statements of work; (b) preparing or developing solicitations; (c) identifying potential contractors or vendors; (d) managing the contractor or vendor database or the registration of new contractors or vendors; (e) evaluating bids or proposals or selecting a source; (f) negotiating price or terms and conditions of the contract; (g) reviewing and approving the award of the contract; (h) signing the contract; (i) certifying, approving and making payments under the contract; (j) managing the contract; (k) reviewing contractor or vendor performance; (l) handling contractor's or vendor's protests or disputes; and (m) auditing the procurement process. This new policy is not limited to procurement officers or finance officers, but acknowledges the comprehensive aspect of the acquisition cycle and therefore includes all actors who may be faced with an actual or potential conflict of interest situation as a result of employment after separation from service with the Organization.

17. Staff regulation 1.2 (m) specifically addresses conflicts of interest and provides that:

> "Staff members shall not be actively associated with the management of, or hold a financial interest in, any profit-making, business or other concern, if it were possible for the staff member or the profit-making, business or other concern to benefit from such association or financial interest by reason of his or her position with the United Nations."

Sections 21 and 22 of the Standards of Conduct for the international civil service further explain that staff members should avoid assisting private bodies or persons in their dealings with the United Nations where this might lead to actual or perceived conflict. This is deemed to be of particular importance in procurement matters or when negotiating prospective employment.

18. Staff rule 101.2 (o)[1] further provides that a staff member who has occasion to deal in his or her official capacity with any matter involving a profit-making, business or other concern in which he or she has a financial interest, directly or indirectly, shall disclose the measure of that interest to the Secretary-General and, except as otherwise authorized by the Secretary-General, either dispose of that financial interest or formally excuse himself or herself from participating with regard to any involvement in the matter which gave rise to the conflict of interest situation. The administrative instruction of 25 October 2000 on outside activities (ST/AI/2000/13) sets out procedures for staff members seeking clarification as to

[1] This provision was originally numbered 101.2 (n) and renumbered as (o) due to the insertion of a new paragraph (j) in the preceding text of rule 101.2 (see ST/SGB/2003/1).

whether a planned outside occupation, employment or activity would conflict with their status as international civil servants. At that time, advice could be sought from the Office of Human Resources Management or the head of department or office. Such advice is now provided by the Ethics Office, as explained below.

1. The Ethics Office

19. The Ethics Office provides confidential advice to staff on ethical issues and also assists staff members in identifying and resolving issues of potential conflict of interest through a comprehensive financial disclosure and whistle-blower protection programme, which falls under its responsibility.

2. The whistle-blower protection policy

20. This policy, promulgated by the Secretary-General in his bulletin of 19 December 2005 (ST/SGB/2005/21), became effective on 1 January 2006. The objective of the policy is to protect staff against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations.

3. The financial disclosure or declaration of interest statements requirement

21. The requirement for a financial disclosure or declaration of interest statement was first introduced at the United Nations on 1 January 1999 (based on staff regulation 1.2 (n) and staff rule 101.2 (o)). It was subsequently revised, primarily to extend the scope of application of persons subject to disclosure obligations, and now requires that staff members from the D-1 and L-6 levels and above, including all procurement-related staff whose principal occupational duties are the procurement of goods and services for the United Nations, should either file a disclosure or declaration of interest. More generally, the Secretary-General may now require other staff to file financial disclosure statements, as he deems necessary, in the interest of the Organization. The role and responsibilities of the Ethics Office in the administration of such financial disclosures were adopted in May 2006.

22. In accordance with the existing Staff Regulations and Rules, it is the responsibility of each head of department or office to identify, in accordance with guidelines of the Ethics Office and bulletin ST/SGB/2006/6, which staff members are required to submit financial disclosures and to inform the Ethics Office accordingly. The Procurement Division has recorded 100 per cent staff compliance with the requirements of the financial disclosure policy for both 2006 and 2007. The Department of Field Support continues to work with the Ethics Office to ensure the compliance of all eligible procurement-related staff in the field, taking into account the special conditions in the peacekeeping missions. In the last round, peacekeeping missions achieved 98 per cent compliance. In general, the Ethics Office keeps staff apprised of the details of the review process and provides them with regular updates on follow-up actions, requirements and the submission deadlines.

4. Post-employment restrictions

23. This is the most recent measure promulgated by the Secretary-General to enhance the legislative framework with regard to ethics and integrity at the Secretariat. This measure was adopted to address the concerns expressed by the General Assembly about the "revolving door" practice between contractors and staff involved in procurement activities. The policy was promulgated on 26 December

2006 pursuant to staff regulations 1.2 (i) and 1.2 (m) and staff rule 101.2 (o), in the Secretary-General's bulletin ST/SGB/2006/15. It entered into force on 1 January 2007.

24. The Secretariat is considering a proper mechanism for monitoring compliance of the ethical behaviour of United Nations staff and vendors. Given that conflict of interest in procurement is a cross-cutting issue, the Procurement Division will continue to take the lead in addressing the matter in close consultation with other departments and offices such as the Department of Field Support, the Ethics Office, the Office of Human Resources Management, the Office of Legal Affairs and the Office of Internal Oversight Services (OIOS). This is in order to ensure that there is full coordination, harmonization and consistency in the application of the Staff Regulations and Rules.

C. Follow-up actions and proposed measures

1. Zero tolerance for gifts and hospitality

25. In November 2005, the Procurement Division introduced a zero-tolerance guideline on gifts and hospitality from United Nations vendors. This new guideline is much more stringent than the relevant provisions of the existing Staff Rules, which are applicable to the staff at large. The Staff Rules allow staff to receive gifts of a nominal value, under certain conditions. A draft Secretary-General's bulletin and an information circular are under final preparation, in full consultation with the Office of Human Resources Management and the Office of Legal Affairs, for the implementation of more stringent requirements for a defined group of staff (ST/SGB/2006/15, sect. 1, article 1.2), based on an amendment to staff rule 101.2 (k).

2. Supplier Code of Conduct

26. The United Nations Supplier Code of Conduct was translated into the six official languages of the United Nations and published on the website of the Procurement Division in 2006 as an initiative to raise the awareness of the ethical responsibility of the vendor community. It contains a number of ethical provisions, including a clause on the avoidance of conflict of interest. The terms and conditions annexed to every solicitation document have also been amended by the incorporation of ethical standards and a specific clause on conflict of interest as a binding provision. In addition, consultants recruited by the United Nations are required to sign non-disclosure and confidentiality agreements.

27. The Supplier Code of Conduct was recently updated to reflect the latest provisions on post-employment restrictions. Suppliers have been informed of the new post-employment restrictions provisions through an announcement posted on the website of the Procurement Division. The updated document will be widely disseminated to the international business community at business seminars organized by the Division and at other meetings to which the United Nations is invited.

3. Ethical guidelines and measures for United Nations staff involved in procurement activities

28. Among the current initiatives under discussion is the issuance of a bulletin of the Secretary-General on rules governing the conduct of staff engaged in procurement activities, including a declaration of ethical responsibilities, and an

information circular on the same issue to serve as ethical guidelines for all staff members taking part in the procurement process. A wide range of officials involved throughout the acquisition process, from requisitioning, procurement, vetting, legal reviews and decision-making, both in the field and at Headquarters, are being considered. In order to facilitate the implementation process and to ensure overall consistency with the broad scope of application of the post-employment restrictions policy, all offices concerned are being consulted on the drafting of the bulletin and the information circular.

29. The General Assembly is assured that the Secretariat is giving priority attention to the issues of ethics, professionalism and integrity among all staff members participating in the procurement process. Where and when necessary, the Secretariat introduces measures that it deems necessary to mitigate wrongdoing and to protect the best interest of the Organization. While the Secretary-General is satisfied that adequate mechanisms and measures exists at the United Nations to promote an environment of ethical conduct, the addition of ethical guidelines are being contemplated along with the appropriate methodology for the efficient management of the various existing provisions and instruments described above. The next phase should be implemented simultaneously, with regular reminders to staff of the need to perform their duties with utmost diligence, including the mandatory filing of financial disclosure statements. Each of these measures individually and collectively serves to reinforce staff members' awareness of issues relating to proper ethical conduct, conflict of interest and integrity in the execution of the procurement function.

4. Staff training in ethics

30. With the introduction of the integrity awareness initiative, an online learning programme in ethics and integrity became mandatory for United Nations staff members in 2005. The Office of Human Resources Management and the Ethics Office continue to collaborate on broadening the range and scope of ethics training for staff members at all levels and to ensure its integration into new and existing learning programmes. A new half-day, facilitator-led workshop, specifically addressing issues such as conflict of interest, was launched Secretariat-wide in November 2006 and is now being extended globally to the offices away from Headquarters. The Office of Human Resources Management and the Ethics Office have been working with the Procurement Division to provide specific ethics training and/or modules for procurement staff and requisitioners at Headquarters, offices away from Headquarters and peacekeeping missions.

31. Appropriately tailored training is particularly important in the context of the new human resources reform programme and the establishment of new missions. The design and implementation of training programme is considered to be a long-term effort and investment to which resources must be devoted as a recurring requirement in order to maintain the highest level of ethical standards and professionalism in the procurement community.

32. With the above in mind, a new training programme entitled "Ethics and integrity in procurement" was recently launched by the Procurement Division, in conjunction with the Ethics Office and the Office of Human Resources Management. All procurement-related staff and requisitioners are expected to benefit from this training programme. As of October 2007, the Division has

conducted eight specific workshops in ethics in procurement at Headquarters. Ethics training is also delivered as part of the general Procurement training workshops, conducted at field missions and offices away from Headquarters.

33. It is part of the United Nations current procurement reform effort to promote an environment that is transparent and accountable and which upholds the highest ethical standards and adherence to best practices in corporate governance. The Organization remains committed to the systematic identification and reduction of the risks associated with potential conflict of interest in the procurement process. This is enabled by the enforcement of strong preventative measures through the clear delineation of responsibilities and the segregation of duties, and by ensuring that tough corrective action is taken when anyone involved in the procurement process (staff member or supplier) is found to have engaged in prohibited conduct.

5. Staff rotation

34. Staff rotation is also an important element in the control environment. Staff members working on procurement in a certain industry segment are advised to guard against building personal relationships with vendors in that segment. They are encouraged to establish and maintain appropriate professional business relations with vendors. In order to minimize the risk of gradually developing inappropriate relations between staff and vendors, the Procurement Division has adopted, on a trial basis, a rotation policy whereby staff members are required to rotate within the Division approximately every three years. It is hoped that this policy will have the effect of changing staff involvement with a particular type of product and/or service under their responsibility. The rotation is currently taking place on a case-by-case basis, pending promulgation of a formal policy, which is being developed in consultation with the Office of Human Resources Management to ensure that it is appropriately integrated into the Organization's overall mobility programme.

D. Vendor management

35. The establishment of the Vendor Registration and Management Team serves to further illustrate the commitment of the Organization to the strengthening of the internal control framework within the Procurement Division. Pursuant to General Assembly resolution 61/246, the Vendor Registration and Management Team became operational in August 2007. The team is mandated, inter alia, to: (a) efficiently manage and develop the vendor database of the United Nations; (b) serve as the secretariat of the Vendor Review Committee; (c) coordinate measures to address vendor misconduct and suspension; (d) improve coordination with other registration bodies within the United Nations system, thereby improving the control environment throughout the system; and (e) eliminate the risk that vendors who are sanctioned by the Secretariat may continue to obtain contracts from the United Nations funds and programmes and the specialized agencies.

36. Within the context of the development of a more robust regime for vendor oversight at the Secretariat, a proposal has been submitted to the High-level Committee on Management-Procurement Network to establish a framework for the imposition of sanctions against suspect vendors. This proposal includes guidelines on the institution of a common mechanism for dealing with suspect vendors throughout the United Nations system. The finalized guidelines will define the

criteria for: (a) the suspension or removal of vendors from the United Nations vendor databases; (b) prescribe the role and responsibilities of the Procurement Network; and (c) stipulate the procedures for decision-making by the Procurement Network.

E. Procurement process

1. Independent review mechanism

37. The General Assembly, in paragraph 13 of its resolution 61/246, requested the Secretary-General to report to the Assembly on the specific modalities of the bid protest system and related procedures, including possible legal and financial implications. Whereas similar mechanisms exist in some national jurisdictions, the introduction of such a mechanism at the United Nations will prove to be more challenging owing to the unique nature of the Organization, specifically its positions vis-à-vis third parties under the Convention on Privileges and Immunities of the United Nations.[2]

38. The Secretariat has finalized a concept paper on a comprehensive system, the objectives of which are to: (a) provide a structured mechanism for the review of inquiries and complaints from vendors; (b) consider allegations of misconduct and unethical behaviour of vendors; and (c) further promote the level of transparency and fairness of the United Nations procurement process. The system has been agreed to in principle by senior officials of the Secretariat and is currently being developed with accompanying detailed procedures. When fully developed, the system will also include an advanced debriefing procedure for unsuccessful vendors. The system will be implemented on a pilot basis during 2008.

39. In considering the implementation of the independent review body, there are some fundamental issues requiring further consideration, including the legal and financial implications of granting appropriate legal standing to unsuccessful bidders that hitherto had only been granted to United Nations contractors under provisions of the United Nations Convention on Privileges and Immunities. The Secretariat has also given careful consideration to the issues of the scope and timing of a request for review of the solicitation process or the award, the scope of remedies (monetary and otherwise), the limitation of frivolous, speculative and unsubstantiated challenges and provisions to avoid misuse or abuse of the system by bidders, who may wish to raise matters solely to gain a presumed tactical advantage. It will also be necessary to ensure that such a system would help prospective vendors to actually improve their offers in future solicitations and assist the United Nations in the constant improvement of the procurement function.

2. Review and update of the Procurement Manual

40. The Secretariat has established a joint working group to conduct the review and updating of the Procurement Manual with representatives invited from the Headquarters Committee on Contracts, the Department of Field Support, OIOS and the Ethics Office. Since the promulgation of the revised version of the Procurement Manual in August 2006, a number of initiatives have been embarked upon that need to be incorporated into the 2007 revised version of the Manual. The joint working

[2] Resolution 22 A (I).

group has proposed several amendments based on its review carried out in consultation with experts on the specific subject matters. In the latest updated version, a number of issues have been clarified and revised with more comprehensive guidelines that address issues raised by the legislative, advisory, audit or oversight bodies and the chiefs of procurement in the offices away from Headquarters, the regional commissions and the international tribunals.

41. The revision of the Procurement Manual incorporates the latest changes resulting from the procurement reform: (a) a more detailed treatment of the best value for money principle; (b) increases the thresholds for delegated signing authority in the case of short-term logistics and transportation requirements; (c) stipulation of the role, authority and obligations of "calling officers", namely, United Nations officers outside the Procurement Division who are authorized to place orders under United Nations "systems contracts". The revised draft of the manual has been completed and will soon be released. As a "living document" the manual will continue to be regularly amended to reflect "best practices" in public sector procurement.

3. Payment to vendors

42. As reported to the General Assembly in the report of the Secretary-General (A/60/846/Add.5 and Corr.1), invoice-processing functions have been separated from procurement to ensure proper segregation of duties. In order to further tighten the internal control mechanism with regard to invoice-processing and vendor payment, new procedures have been established to handle vendors' requests to have banking instructions amended. This will ensure proper review of all information presented by vendors for amendment of payment instructions.

F. Governance structure

43. Pursuant to General Assembly resolution 61/279, and in accordance with the recommendations and conclusions of the Advisory Committee on Administrative and Budgetary Questions in its report of 1 June 2007 (A/61/937), the Secretariat will submit a report on procurement governance for consideration of the Assembly by its second resumed session in 2008. The report will examine, inter alia:

(a) Management arrangements for procurement, including clear lines of accountability and delegation of authority;

(b) Findings of the working group established to examine ways in which the organizational structure could be changed to better align responsibility with authority and to improve the overall control environment for procurement for peacekeeping operations;

(c) Respective responsibilities of the Department of Management and the Department of Field Services;

(d) Streamlined procurement procedures for peacekeeping operations in the field, including specific information on mechanisms for strengthened monitoring, oversight and accountability;

(e) Functioning of the Headquarters Committee on Contracts and the local committees on contracts.

44. The report will provide the supporting background information for any restructuring proposals and will specifically address the following issues mentioned by the Advisory Committee on Administrative and Budgetary Questions in its report (A/61/937):

(a) Internal control regime and segregation of functions;

(b) Delegation of authority;

(c) Need for improvements in procurement business processes and issues surrounding the phasing in of any structural changes that might be approved;

(d) Provision of information on best practices in other organizations.

G. Accountability and delegation of procurement authority

45. Related to the issue of the governance structure are the issues of accountability and delegation of authority, a subject on which the Secretary-General has issued a series of reports (including A/60/312 and A/61/546) with the aim of strengthening accountability at the United Nations. The delegation of procurement authority has been used as a primary instrument to address personal accountability issues in the execution of the procurement function. Delegated authority is issued to individual staff members to hold them personally accountable. Procurement staff are required to discharge their duties and responsibilities in the exercise of the personal procurement authority delegated to them with utmost care, competency, efficiency and integrity. In so doing they must ensure that all applicable United Nations Staff and Financial Regulations and Rules, procurement policies, procedures, best practices, issuances and instructions are strictly adhered to at all times. As clarified in the report of the Secretary-General (A/60/846/Add.5 and Corr.1), the delegation of procurement authority does not abrogate the responsibility of the official delegating the authority.

46. In addition to the reviews of oversight bodies and the Procurement Division's own management review and monitoring activities, the Organization has a number of other mechanisms and means such as OIOS and the "ethics hotline", the whistle-blower protection programme, the financial disclosure programme and the post-employment restrictions policy, among others, to deter and/or identify such violations in the exercise of procurement authority. Where staff members are found to be failing in the proper execution of their responsibilities, appropriate disciplinary procedures are invoked in accordance with established procedures.

H. Headquarters Committee on Contracts

47. The Headquarters Committee on Contracts is an integral part of the internal control framework of the Secretariat. It plays a significant role in ensuring that proposed procurement actions are conducted in compliance with the relevant Staff and Financial Regulations and Rules and United Nations policies and procedures. The Committee provides advice to the decision-makers, the Under-Secretary-General for Management and the Assistant Secretary-General overseeing the United Nations procurement function. Recent expansion of peacekeeping operations has had a tremendous impact on the workload of the Committee, which has been steadily increasing, including in the number, value and complexity of cases. In

2006, the Committee reviewed 791 cases with a "face value" of approximately $4.1 billion.

48. In its audit report of 19 August 2003 (A/58/294), OIOS recommended that the threshold of the Headquarters Committee on Contracts should be increased from $200,000 to $500,000 or possibly to $1 million. At that time, the Department of Management, while taking note of the recommendation of OIOS, expressed concern with regard to the assessed risk associated with a higher threshold level, procurement and management capacity, in implementing the recommendation (A/58/294, para. 11). However, in section C of its resolution 59/288, the General Assembly took note of the OIOS report and requested the Secretary-General to: (a) review without delay options to better safeguard the independence of the Committee, including the option identified in recommendation 1 in the report of OIOS; and (b) examine the appropriateness of the current threshold for the review of procurement cases by the Committee with a view to improving the effectiveness and efficiency of the functioning of the Committee, taking into account the development of the delegation of authority to the field offices as described in paragraph 11 of the report of the Advisory Committee on Administrative and Budgetary Questions and to report on action taken to the General Assembly in the context of the next report of the Secretary-General on procurement reform.

49. In light of the above, and cognizant of the continuing expansion of peacekeeping operations around the world, the OIOS recommendation was revisited and a further review and assessment of the workload of the Headquarters Committee on Contracts, together with an analysis of the adequacy of risk mitigating measures, was conducted with a view to develop a strategy for enhancing the review capacity of the Committee. An increase in the threshold of the Committee to $500,000 would necessarily require an increase in delegation of procurement authority to authorized officials for individual procurement cases, a corresponding increase to $200,000 for letters of assist and, eventually, the elimination of double vetting of cases by the Local Committee on Contracts and the Headquarters Committee.

50. The increase in the threshold of the Headquarters Committee on Contracts may present new challenges such as a higher exposure to financial risks and uncertainty of achieving "best value for money" in the procurement process. Measures have been identified to mitigate these risks, which would also contribute to the enhancement of the internal control system. They include, inter alia, (a) the regular updating and clarification of procurement policies, guidelines, procedures and standard operation procedures; (b) the mandatory training of all members of the various review bodies (local committees on contracts and Headquarters Committee on Contracts) including training in ethics and integrity; (c) the development of reporting and monitoring procedures; and (d) increased number of field inspections by the Department of Management and the Department of Field Support.

51. In this regard, the Headquarters Committee on Contracts recently implemented a number of measures to further strengthen the internal controls system, including:

(a) The development of training materials to clarify policies and procedures. New standard operation procedures are also being developed for the more efficient conduct of the work of the Headquarters Committee on Contracts and the local committees on contracts;

(b) The launch of a mandatory training programme by the Procurement Division for members of the local committees on contracts and procurement staff in September 2007, which will be followed by the roll-out over a period of 6 to 7 months. A certification system has also been introduced for members of the local committees on contracts to allow them to serve at other peacekeeping missions. In June of 2007, a pilot training programme was conducted at the United Nations Mission in the Democratic Republic of the Congo (MONUC), which provided an opportunity to clarify policies and procedures on the local committee and Headquarters Committee processes, as well as an opportunity to review and monitor the work of the local committees. The training of members of the local committees will further strengthen the internal control mechanism at peacekeeping missions, which will have a positive impact on overall procurement activities at the missions. It is intended that periodic recertification will be required. The Headquarters Committee on Contracts also plans to develop an e-learning programme to supplement the joint training programme.

(c) The Department of Management has been using an electronic system for processing cases of the Headquarters Committee on Contracts (e-HCC: in the field missions, it is called e-cc), which has streamlined the workflow and approval processes for the submission of cases to the Committee. The e-HCC programme has been developed in-house, in collaboration with the Information Technology Services Division and the Procurement Division. This has not only enhanced the efficiency of the process, but also provided enhanced security and an effective audit trail, which are two useful requirements in enhancing the internal control system. With a view to facilitating the work of the local committees on contracts, the Headquarters Committee on Contracts has been working with the Information Technology Services Division, the Procurement Division and the Department of Field Support to install the system at the field missions and, eventually, at offices away from Headquarters. The system has been piloted at the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Logistics Base at Brindisi, Italy, and MONUC for local application. The goal for the next phase is to develop an electronic link between the field missions and offices at Headquarters involved in the processing of procurement cases requiring the review of the Headquarters Committee on Contracts.

52. Monitoring procedures are currently being developed in consultation with OIOS, the Procurement Division and the Department of Field Support as part of the proposal to increase delegation of authority. The intention is to develop simple key indicators to assist in the monitoring and evaluation of procurement activities.

I. Recommendations of the Procurement Task Force/Office of Internal Oversight Services

53. As part of the process of assessing the status of progress on procurement reform, it may also be useful to analyse the progress being made by the Procurement Division in implementing approved audit recommendations, in particular those of OIOS and the Procurement Task Force. The Procurement Division has undertaken a review of all the Procurement Task Force/OIOS audit reports received during the biennium 2006-2007 to determine the timeliness of responses to the findings and recommendations contained in those reports and the rate of implementation thereof. The result of this review reveals that the Division has responded in a timely manner

to recent requests for information from OIOS and that the current rate of implementation of the OIOS recommendations is estimated at 44.19 per cent (see table 3).

Table 3
Timeliness and implementation rate of recommendations of the Procurement Task Force/OIOS

	Date of receipt	*Date of response*	*No. of recommendations*	*No. completed*	*In progress and accepted no. of actions*	*No. rejected or not accepted*	*Rate of implementation (Percentage)*
Update on implementation of recommendations in 22 reports	Mid-June 2007	6 July 2007	86	38	45	3	44.19

54. The Procurement Division has responded to a total of 86 recommendations of the Procurement Task Force/OIOS contained in 22 reports over the biennium 2006-2007. With the institutional structure now in place, that is, the establishment of the Planning, Compliance and Monitoring Section, the Division is now in a better position to respond to audit recommendations in a timely manner and to significantly increase the implementation rate of audit recommendations. Moreover, with adequate resources, the Division will be able to conduct more in-depth self-evaluations of its operations and identify potential problems at an earlier stage.

55. The Procurement Division hopes to achieve an implementation rate of at least 70 per cent by June 2008, taking into account recommendations that are withdrawn for various reasons, those that are not accepted for justifiable reasons or those that cannot be implemented for practical reasons. The analysis of the Division shows that 100 per cent implementation of OIOS recommendations may not be possible for the following reasons:

(a) Inadequacy of existing information technology systems: the Procurement Division is unable to make significant adjustments to the existing information technology systems in light of the decision of the United Nations to implement an enterprise resource planning system by 2010;

(b) Lack of jurisdiction: some of the OIOS recommendations are made on the premise that the Procurement Division has the jurisdiction to act independently of the other organizations in the United Nations system;

(c) Continuous and ongoing implementation of recommendations: the manner in which some of the OIOS recommendations are drafted and the nature of some of the recommendations necessitate continuous and ongoing action. Therefore, it may not always be possible to report implementation by a given time frame;

(d) Non-acceptance of recommendations: in some cases, the Procurement Division is unable to accept the recommendations of the OIOS for justifiable reasons.

IV. Optimization of the acquisition and procurement management processes

A. Efficient acquisition planning and coordination

1. Planning, monitoring and compliance

56. Proper acquisition planning is one of the important elements that enables the Organization to conduct efficient procurement operations and attain desired outcomes. While the primary responsibility for acquisition planning rests with requisitioners in the various departments and offices at Headquarters and the peacekeeping missions, the newly established Planning, Compliance and Monitoring Section will facilitate the coordination of acquisition planning between the peacekeeping missions and the procurement sections at Headquarters. In order to support coordination of acquisition and improve efficiency and effectiveness in the use of acquisition planning information gathered, the Procurement Division has also developed an in-house system to manage acquisition planning data so that requisitioning offices can enter and update acquisition planning information. Procurement staff can review and compile data as they need. The system is currently undergoing testing and is expected to be fully operational in the near future.

2. Establishment of the Field Liaison Unit

57. A Field Liaison Unit has been established within the Field Procurement Section. The Unit acts as an administrative, functional and operational liaison office for field procurement activities in cooperation with the Department of Field Support and the Planning, Compliance and Monitoring Section. It has also been given responsibility for improving communications and coordination with the Department of Field Support and the peacekeeping missions.

3. Streamlining and simplification of the vendor registration process

58. Vendor registration was introduced at the Secretariat in 1996 as a prerequisite for the establishment of a business relationship between vendors and the Organization. Through the process of registration, the Secretariat is able to determine which vendors in the global marketplace are capable of providing goods or services to the United Nations in accordance with its stipulated terms and conditions. The Secretariat has generally used seven criteria for evaluation of a potential vendor for approval, some of which are currently under review in order to simplify the registration process in accordance with the request of the General Assembly.

59. The issue of streamlining and simplification of the vendor registration and management processes at the Secretariat was discussed at the last conference of chief procurement officers. The Procurement Division has since given priority attention to the matter. In addressing this important subject, the Secretariat is seeking to establish a revised vendor registration process that is robust and flexible in order to accommodate a wide spectrum of vendors, from local to strategic and from low value to high value procurement. To support this objective, it is intended to carry out a review of the vendor registration criteria and to transfer all existing vendor databases to one common platform, the United Nations Global Marketplace.

60. The Secretariat has established a joint working group consisting of representatives from the Department of Field Support and the Procurement Division to review the vendor registration process with the aim of identifying the factors constraining the efforts of the Organization to streamline and simplify the vendor registration process. The joint working group has identified the following as the main challenges in streamlining the vendor registration process:

(a) Lack of common vendor registration policy among the organizations of the United Nations system;

(b) Ownership and management of the United Nations Global Marketplace;

(c) Lack of appropriate information technology systems interface at the global, regional and local levels.

4. Access to Member States to the database of the United Nations Global Marketplace

61. Pursuant to the request of the General Assembly in its resolution 61/246, Member States have now been provided with special access to the database of the United Nations Global Marketplace through the introduction of a "Member States tab" on its website. In addition, in response to the desire of Member States to have access to the Marketplace, an interface has been added to enable official entities of Member States to log onto the website and access the database. Currently, Member States can access the United Nations system-wide procurement notices and contract awards, the *Annual Statistical Report* and the "General Business Guide", as well as information on business seminars and supplier development courses.

5. Air operations

62. In light of the increasing volume and cost of air charter services, and pursuant to General Assembly resolutions 60/266 (sect. XI) and 61/276 (sect. XIII), following a competitive solicitation exercise, the Procurement Division engaged the services of a consultancy firm to review the Organization's current practices in the area of air charter procurement. Specifically, the consultancy firm is reviewing the sourcing practice, the solicitation documents, bid evaluation criteria, cost structure, pricing and the United Nations standard contractual documentation for air charter services. The exercise is to determine the extent of conformity with the best practices of the industry and other international organizations. Additionally, the consultancy firm will examine the factors that may have contributed to an increase in the cost of air charter services, which has become evident over the last few years. It is expected that the consultancy firm will provide its final report towards the end of November 2007. Upon receipt and review of that report by the Division and the respective stakeholders, the necessary amendments to the existing procedures will be implemented, where they are deemed relevant and appropriate.

B. Partnership on procurement activities with other organizations within the United Nations system

63. The Secretariat has cooperated with the Inter-Agency Procurement Services Office of the United Nations Development Programme (UNDP) in meeting the training needs of the staff involved in procurement-related activities. Further

opportunities for partnership with other organizations in the United Nations system are being explored to optimize the acquisition and procurement management processes, and to supplement the capacity of the Division for mission deployment at short notice.

64. The Secretariat continues to initiate cooperation and partnership with other organizations of the United Nations system through the "lead agency concept" on a selective basis when it foresees potential savings by achieving economies of scale or if it does not have appropriate expertise to ensure best value for money in terms of price and quality. The procurement of goods and services through the lead agency concept eliminates duplication of work for commonly procured products and services and possibly allows for the standardization of products. It should be noted that further discussions about the concept are now taking place under the auspices of the High-level Committee on Management-Procurement Network.

65. The General Assembly, in its resolution 61/246, requested the Secretary-General to report to the Assembly on procurement management and to include in his report an assessment of the internal controls of the United Nations organizations and how they differ from those of the Procurement Division. In that regard, the Division conducted a survey on the adequacy of the existing internal control systems at four organizations of the United Nations system that offer potentially high collaboration opportunities with the Secretariat. The internal control questionnaire issued by the Procurement Division[3] probed into specific key elements of the internal control mechanisms in place at the selected organizations. The operational areas examined included, but were not limited to:

(a) The vendor registration process and management of the contractor or vendor database;

(b) The sourcing of potential suppliers, particularly with regard to the activities of requisitioners and consultants;

(c) The processes of preparing and/or developing solicitations and the negotiation of price and other terms and conditions of contract;

(d) The opening and evaluation of bids/proposals;

(e) The procedures for negotiation of price and other terms and conditions of contract;

(f) The review and approval of the award of the contracts;

(g) The lines of delegation of authority, responsibility and accountability.

66. The results of the survey have assisted the Secretariat in its assessment of the state of internal control at the selected organizations of the United Nations system. This has served as the basis for identifying the operational gaps, where they may exist, between the United Nations and these organizations. The analysis of the responses received indicates that while there are minor variations in approach to the management of some aspects of the procurement process, the existing internal control mechanisms at the selected organizations basically mirror those at the Secretariat for procurement operations.

[3] The questionnaire was issued to six organizations; responses from two organizations are pending.

67. The Secretariat has thus far conducted procurement with and through other organizations of the United Nations system under the ad hoc concept of consortium buying and utilization of existing contracts executed by other organizations. Under ad hoc consortium buying, procurement of products and services such as office supplies, travel services, information technology and communications equipment commonly require processing in collaboration with other organizations of the system. The "lead agency" concept, therefore, is commonly used when other organizations within the United Nations system have existing contracts with favourable terms and conditions. Procurement through the lead agency concept allows an organization with the requisite expertise and knowledge to conduct procurement for specific products and services on behalf of other organizations of the system. The lead agency takes responsibility for procurement from the beginning to the end of the process.

C. Best value for money principle

68. The "best value for money principle" was incorporated as one of four general principles governing procurement upon the promulgation of the Secretary-General's bulletin ST/SGB/2003/7, which contained the revised United Nations Financial Regulations and Rules. Pursuant to financial regulation 5.12, the Procurement Manual was updated in August 2006 by the inclusion of a new section on the principle of best value for money. A policy was later drafted, in November 2006, defining the best value for money principle as optimization of whole-life costs and quality needed to meet the user's requirements, while taking into consideration potential risk factors and the availability of resources. In response to the request from OIOS and the General Assembly, the Procurement Division amended the Manual to better define and implement the best value for money principle and is developing further guidelines such as a source selection plan and a checklist in order to apply the principle in a consistent and systematic manner. This should enhance business opportunities for vendors from all countries and preserve the financial interest of the Organization.

69. The Secretariat has developed a training programme with strong emphasis on the best value for money principle. Training was conducted in February 2007 for staff of the Procurement Division, chief procurement officers, members of the Headquarters Committee on Contracts and newly appointed field procurement staff, and it has since been extended to the field offices as part of a delivery of the comprehensive training programme being rolled out to field missions and offices away from Headquarters.

70. An audit has been conducted by OIOS on the application of the best value for money principle in the procurement activities of the Organization, and the Office has issued a report on the subject (A/61/846) pursuant to General Assembly resolution 60/259. The Secretary-General has also issued a report (A/61/846/Add.1) presenting comments on the issues that the Administration considers require further clarification as it does not subscribe to some of the findings and conclusions contained in the report of OIOS.

D. Information technology support

71. The Secretariat has made steady progress in its work to develop special requirements for procurement management as part of the new enterprise resource

planning system. The implementation of the new system is an essential requirement for the efficient and effective management of the Secretariat-wide procurement activities. The use of different information technology support systems, for example, the Procure+ programme at Headquarters and Mercury at peacekeeping missions, precludes the Organization from capturing procurement information on a real-time basis, thus negatively impacting its ability to exercise comprehensive procurement oversight. A workshop was held in May 2007, with participation of staff from the Department of Management, the Department of Field Support, selected peacekeeping missions and selected offices away from Headquarters, to support the proper development of the enterprise resource planning system and to review the functional requirements of United Nations procurement activities. Several workshops are planned to define the Secretariat-wide supply chain management functions, starting with a workshop focusing on asset management functions, held in July 2007, and on service functionalities in August 2007. Functional requirements for procurement should be finalized before the end of 2007. The implementation of the enterprise resource planning system for procurement is expected by 2010 in coordination with the implementation of the International Public Sector Accounting Standards (IPSAS).

72. In response to the request of the General Assembly for improvement of the website of the Procurement Division, the Division has redesigned the layout and upgraded the contents of its website to make it more user-friendly. Among the main improvements are (a) more detailed advice to prospective vendors seeking to register as suppliers to the United Nations; (b) increased information on expressions of interest; (c) regular updates on contract awards with information on the contracts and purchase orders awarded by the peacekeeping missions; and (d) an upgrade of the menu system by the addition of cascading style sheets and drop-down menus, which facilitate navigation through the site.

73. The supplier code of conduct, which was previously posted only in English, has been updated and is now posted on the website in all six official languages of the United Nations. The Procurement Division is currently working on redesigning its Intranet site on the iSeek platform, which will enhance internal information resources for the field offices by providing them with the latest policies and decisions made at the Headquarters.

E. Contract management

74. The Procurement Division has been working closely with client offices to improve the management of contracts. Regular meetings have been held with client offices to address vendor compliance and performance and other contract management issues. The meetings also address the application of best practices with regard to solicitation documents, the review of technical specifications and contractual requirements, the establishment of evaluation criteria, the assurance of quality control standards, the early identification of issues to pre-empt disputes and the review of contract close-outs. The Division is responsible for the administration of contracts, including the establishment of contractual terms and conditions, while client offices are responsible for the day-to-day management and monitoring of contractor's performance in the delivery of goods and services, as per the established contractual terms and conditions.

F. Reduction of the timeline for invoice payment

75. Payment of invoices has to be processed in full compliance with the contractual provisions and United Nations established procedures. In certain contracts, the Organization is obligated to pay at the port of shipment as set forth in the international trade terms (INCOTERMS). The Procurement Division and the Accounts Division have therefore issued instructions to the directors of administration and the chief administrative officers to clarify responsibilities of buyers and sellers in accordance with those terms.

V. Strategic management of United Nations procurement

A. High-level Committee on Management-Procurement Network

76. The Inter-Agency Procurement Working Group was formed in 1976 with the heads of procurement, who now represent over 40 organizations within the United Nations system. The Working Group meets annually to discuss issues of common interest, explore coordination and harmonization of procedures, professionalism and sharing of best practices. The Group has contributed to the development of (a) publications such as the General Business Guide and the *Annual Statistical Report*; (b) long-term agreements for vehicles with manufacturers; (c) the establishment of the United Nations Common Coding System; and (d) a United Nations common supplier database, which was redeveloped and launched as the United Nations Global Marketplace in February 2004. The Inter-Agency Procurement Services Office of UNDP serves as the secretariat of the Group.

77. Given the significant role of procurement in supporting the activities of the United Nations system, and recognizing the achievements made over the past 30 years, at its annual meeting in Brazil in June 2006, the Inter-Agency Procurement Working Group agreed that more formal ties with the High-level Committee on Management, specifically with the network established for human resources management, information and communications technology and finance and budget, would be appropriate. At that meeting, the Working Group adopted the following mission statement: "The Inter-Agency Procurement Working Group is a forum of senior procurement practitioners of the organizations of the United Nations system, who are brought together, under the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination (CEB) in order to promote the strategic importance of procurement and supply chain management in programme and service delivery in a transparent and accountable manner".

78. The programme of work of the Inter-Agency Procurement Working Group furthers the efficiency and effectiveness of the procurement function within the United Nations system through, inter alia, collaborative procurement arrangements, the simplification and harmonization of procurement practices and the fostering of professionalism among the staff involved in the procurement process. Through information and knowledge sharing, the Group presents procurement opportunities to potential suppliers from developing countries and from countries with economies in transition. It also supports, where possible, capacity development for procurement in those countries where organizations of the United Nations system are located. At the 2006 annual meeting, it was agreed that the Working Group would address four

priorities related to the reform of United Nations procurement, including: (a) advocating procurement as a strategic function for the delivery of mission outcomes; (b) enhancing internal control frameworks of United Nations procurement, including transparency; (c) strengthening the procurement function at the United Nations; and (d) establishing the benefits of establishing a log to capture and communicate results and efforts to improve effectiveness of procurement activities.

79. At its meeting in March 2007, the High-level Committee on Management agreed to designate Inter-Agency Procurement Working Group as the new procurement network of the Committee and to rename it the High-level Committee on Management-Procurement Network. The Procurement Network held its first meeting in June 2007 in South Africa and designated UNDP as its secretariat. Having taken into account the relevant needs and issues of concern to the General Assembly and the High-level Committee on Management, the Procurement Network has formed sub-working groups to focus on four broad areas: (a) United Nations reform; (b) vendor management; (c) procurement professionalization; and (d) access for suppliers from developing countries and countries with economies in transition. Following the terms of references, deliverables and workplans approved at the meeting, each sub-working group is required to submit its report to the Procurement Network at least one month prior to each meeting of the Network, which will be held every months, at least six weeks prior to the meeting of the High-level Committee, so that the Network can submit matters of relevance to the Committee for decision-making. In addition, CEB will include procurement issues in its plan of action and review the functioning and achievements of the Procurement Network in three years.

80. The initiatives and reviews to be undertaken by the sub-working group of the Procurement Network are not to replace those being taken by the Secretariat, but will rather complement the activities of the Secretariat and provide it with a more formal means to address and resolve issues of common interest to the United Nations at the system-wide level.

B. Staff management

1. Training

81. The Secretariat has developed and delivered procurement training modules in cooperation with the Inter-Agency Procurement Services Office, which is currently being rolled out to procurement staff at Headquarters, the Department of Field Support, field missions and offices away from Headquarters. Under this training programme, the Office will be responsible for the provision of trainers, training materials, training certificates, delivery of training and administrative and logistical support. The Office has also delivered a training programme on the fundamentals of public procurement and on contract and supplier relations management while the Secretariat has delivered training modules on the best value for money principle, ethics in procurement and guidelines for the Local and Headquarters Committees on Contracts. Contrary to the proposed budget (see A/60/846/Add.5 and Corr.1), which envisaged the participation of 400 staff members in training activities, it is now estimated that over 800 staff members will participate in the training programme by the second quarter of 2008.

Table 4
Staff training[a]

Training modules	*Fundamentals of United Nations procurement*	*Best value for money*	*Ethics and integrity in procurement*	*Guidelines for presentations of Local and Headquarters Committees on Contracts*
Targeted No. of trainees (staff and requisitioners)		816		
No. trained	242	290	294	199
Percentage	30	36	36	24

[a] Training of staff at Headquarters (DFS) and offices away from Headquarters.

2. Career development programme

82. As a first step, a general training programme was launched in September 2007 to ensure that all staff involved in the procurement process had the basic skills for the performance of their tasks. The Secretariat is considering collaboration with the Inter-Agency Procurement Services Office on the establishment of an external certification programme during the biennium 2008-2009, to be implemented in consultation with the Office of Human Resources Management and the Department of Field Support. The certification process should serve as a quality assurance measure and as an incentive and reward for staff.

C. Increasing procurement opportunities for vendors from developing countries and countries with economies in transition

83. The United Nations is constantly seeking new ways to increase opportunities for vendors from developing countries and countries with economies in transition. Vendors are particularly invited and encouraged to register with the United Nations and to participate in individual solicitation exercises. The increased involvement of vendors from these countries has been a priority for the Organization over the last few years and various information dissemination approaches have been used to increase their awareness of United Nations procurement opportunities.

84. In spite of these efforts, three major challenges remain: (a) the Organization has to collect accurate procurement data and generate relevant statistics for reporting on procurement activities with vendors from developing countries and countries with economies in transition; (b) the Secretariat has to implement General Assembly mandates while operating in accordance with the established United Nations Financial Regulations and Rules to ensure, inter alia, the principle of open international competition and fair treatment for all vendors; and (c) the Secretariat has to establish a perceived target value of contract awards to vendors from countries that would be acceptable to all Member States.

1. Limitations of statistical presentation

85. The Secretariat takes note of the concern, expressed by the Advisory Committee on Administrative and Budgetary Questions in its report of 11 October 2002 (see A/57/7/Add.1, para. 4), that the statistical data presented in the report of the Secretary-General (A/57/187) on the level of procurement from developing countries demonstrates no significant change in favour of vendors from those countries and that, in some cases, data shows an actual decline. The Advisory Committee also expressed the view that the total increase in procurement from developing countries is limited to vendors from the host countries of United Nations peacekeeping operations and their neighbours.

86. The United Nations faces difficulties in accurately reflecting the full extent to which developing countries and countries with economies in transition actually benefit from United Nations procurement opportunities. Firstly, there are the limitations of the Organization's data-collection capabilities, which have led to an Organization-wide drive to improve the information technology system and to ensure better interface between the various information technology systems in use throughout the United Nations. The existing systems are not designed to capture the type of information necessary to fully assess the complete involvement of and benefit to vendors from developing countries and countries with economies in transition at the sub-component level.

87. Secondly, it has been noted that some companies incorporated in and known to have a substantive part of their operations in developing countries and countries with economies in transition choose to register with the United Nations as vendors from industrialized countries. Conversely, some multinational companies, registered in industrialized countries operate local subsidiaries that are doing business with the United Nations. As the statistics of the Secretariat are based on the country indicated in the vendor registration database as opposed to the country of origin of the parent company or its subsidiaries, the benefit and involvement of the vendors by country may be difficult to assess.

88. Thirdly, the available data on United Nations procurement does not adequately capture the global supply chain in terms of recording the sourcing of inputs and the extent of sub-contracting. In order to quantify the extent to which developing countries and countries with economies in transition actually benefit from United Nations procurement, the Procurement Division would need to request more data from its vendors, which would result in additional costs to the Organization and the vendors.

2. United Nations system-wide procurement

Figure I

Total procurement of goods and services for operational activities of the United Nations system

(Technical cooperation, humanitarian assistance and peacekeeping operations)

(Millions of United States dollars)

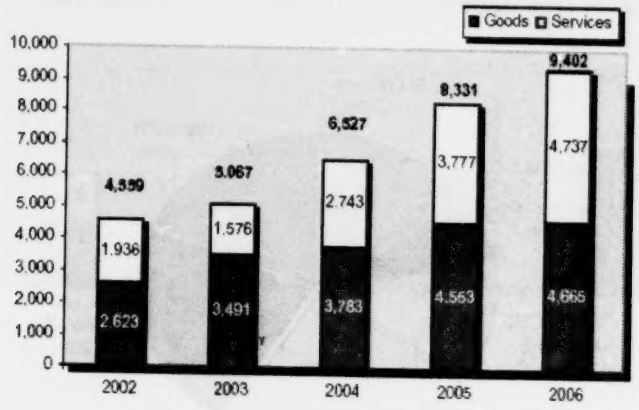


Table 5

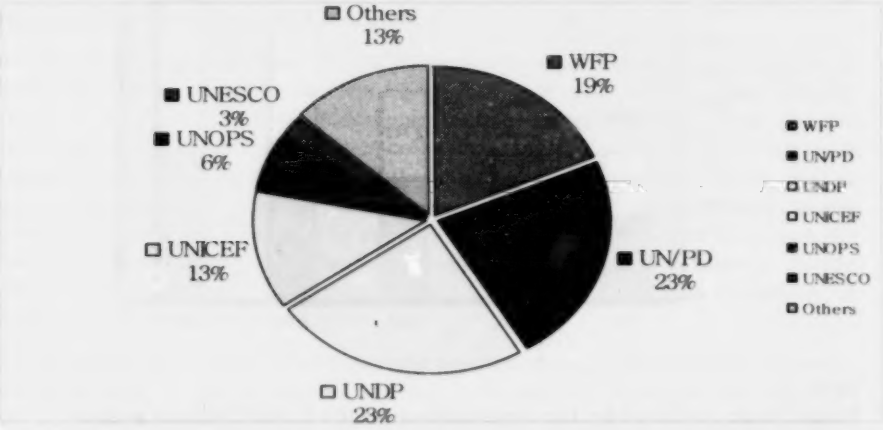
Major items procured by the organizations of the United Nations system

Goods	*Services*
Equipment	Personnel
Food	Engineering
Pharmaceutical supplies	Construction
Vehicles	Corporate
Computers and software	Freight
Shelter and housing	Printing and equipment
Telecommunications equipment	Rental
Laboratory equipment	Consultancy
Chemicals (petroleum, oils and lubricants)	Telecommunications
Building materials	

89. The United Nations system of organizations purchases a large variety of goods and professional services and is considered to be one of the largest international trade platforms. In 2006, United Nations system-wide procurement was estimated at $9.4 billion, which includes $4.67 billion in goods and $4.73 billion in services.

This represents an increase of 13.3 per cent over the previous year. Procurement by the Secretariat, including the Procurement Division, the Department of Peacekeeping Operations/Department of Field Support (Headquarters and peacekeeping missions) and offices away from Headquarters, accounts for approximately 23 per cent of total United Nations system-wide procurement.

Figure II
Procurement by organizations[a] of the United Nations system: 2006[b]
(Percentage)



[a] United Nations Educational, Scientific and Cultural Organization (UNESCO); United Nations Office for Project Services (UNOPS); United Nations Children's Fund (UNICEF); United Nations Procurement Division (UN/PD); World Food Programme (WFP).
[b] Total for 2006: $9.4 billion.

90. On average, the organizations of the United Nations system purchase approximately 60 per cent of their goods and services from developing countries and countries with economies in transition. In some organizations as much as 70 per cent (or more) of purchases are from these countries. This is largely due to the specific nature of the goods and services procured by the specialized funds, programmes and agencies. Overall, however, the percentage of procurement from developing countries by the organizations of the United Nations system has increased significantly over the last biennium. The statistics also demonstrate that a potential for increasing the "vendor base line" from developing countries and countries with economies in transition may exist through vendor registration. Although vendor registration is a prerequisite for participating in United Nations procurement opportunities, there must be technical and competitive advantages for vendors to increase the likelihood of being awarded contracts pursuant to the parameters imposed by the existing United Nations Financial Regulations and Rules.

Figure III

Procurement from developing countries

(In millions of United States dollars)

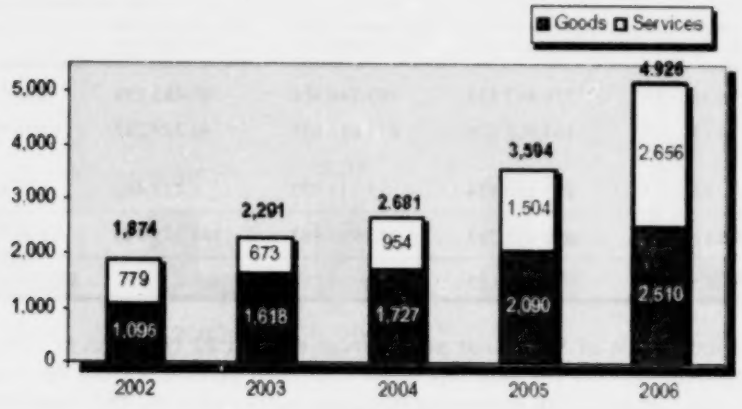
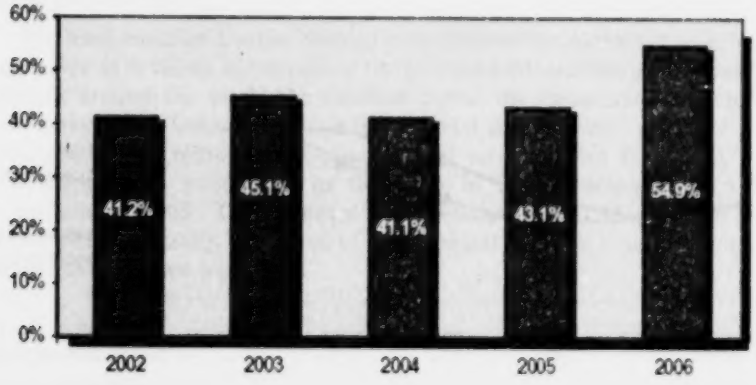


Figure IV

Procurement from developing countries

(As a percentage of total procurement)



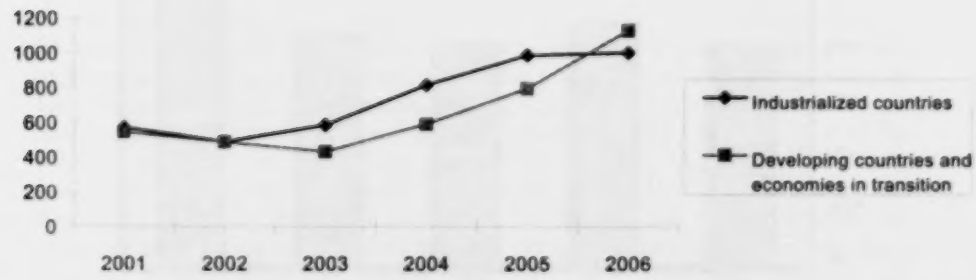
3. United Nations Secretariat: procurement activities

Table 6
Total value of United Nations procurement in 2006

	United Nations Headquarters	*Department of Field Support/Headquarters*	*Department of Field Support/Missions*	*Offices away from Headquarters*	*Total*	*Percentage*
Industrialized	203 348 186	219 467 523	489 746 496	86 483 158	999 045 363	46.99
Developing	4 135 189	163 905 426	679 612 631	46 329 293	893 982 538	42.05
Economies in transition	624 124	217 250 834	13 546 455	1 419 492	232 840 905	10.95
Total	**208 107 499**	**600 623 783**	**1 182 905 582**	**134 231 943**	**2 125 868 807**	**100.00**
Percentage	9.79	28.25	55.64	6.31	100	

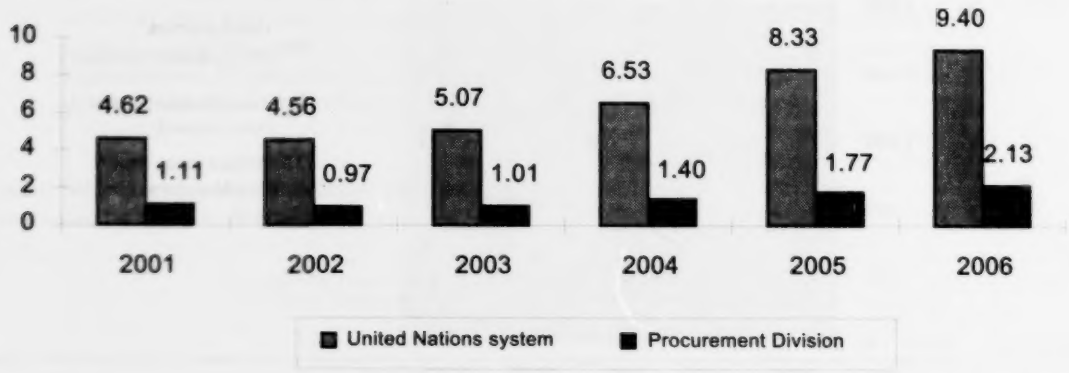
91. The total value of Secretariat procurement reached $2.13 billion in 2006, of which approximately 53 per cent represents combined purchases from developing countries and countries with economies in transition (see table 6). This represents a continuing positive trend in procurement from development countries and countries with economies in transition during the period from 2003 to 2006.

Figure V
Procurement Division: procurement trend by country group
(Millions of United States dollars)



92. The percentage share of procurement by the United Nations Secretariat relative to the total value of procurement by the organizations of the United Nations system has been increasing steadily over the last few years. In 2006, the value of Secretariat procurement reached 22.6 per cent of the total value of system-wide procurement.

Figure VI
Relative value of procurement by the Procurement Division in relation to system-wide procurement
(Billions of United States dollars)



93. Member States have urged the Secretariat to explore ways of increasing the procurement opportunities for vendors from developing countries and countries with economies in transition. In 2006, the percentage of United Nations procurement from these countries reached 53 per cent, compared to an average of 45 per cent over the last four years.

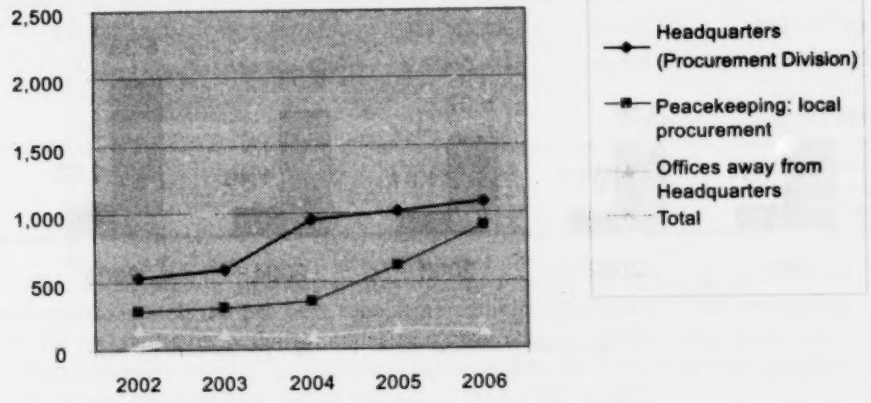
94. The total value of United Nations procurement has increased significantly in recent years as a direct consequence of the unprecedented surge in peacekeeping operations around the world. In absolute terms, the Organization, including the offices away from Headquarters and the regional commissions, procured a total of approximately $1.1 billion worth of goods and services from developing countries and countries with economies in transition in 2006, compared to a total of $791 million in 2005. This represents an increase of 42.45 per cent over the previous year. Generally, the value of procurement from all country groupings has increased over the last four years.

Table 7
Procurement trend
(Millions of United States dollars)

Category	*2002*	*2003*	*2004*	*2005*	*2006*
Headquarters Procurement Division[a]	526	589	956	1 012	1 081
Peacekeeping local procurement	287	302	354	608	911
Offices away from Headquarters	154	119	89	154	134
Total	**967**	**1 010**	**1 400**	**1 774**	**2 126**

[a] Headquarters Procurement Division includes Headquarters purchase orders and purchase orders issued by peacekeeping missions against Headquarters Purchase Division system contracts.

Figure VII
Trend in Secretariat-wide procurement: 2002-2006
(Millions of United States dollars)



95. In general, vendors located within countries where the United Nations operates tend to have a better share of United Nations procurement market. For Headquarters, the high percentage for local procurement is inevitable as the figure includes leases of buildings and other requirements that must be procured locally. Likewise, 55.3 per cent of procurement of goods and services at offices away from Headquarters at locations worldwide were awarded to vendors from the areas where these offices are situated. The United Nations Office at Nairobi procures the large majority of its goods and services, approximately 90 per cent, from developing countries. Procurement by offices away from Headquarters is seen as a model for new approaches to assist developing countries and countries with economies in transition as most of the offices are situated in countries where the business operating environment tends to be more stable than at peacekeeping missions.

4. Characteristics of procurement for peacekeeping missions

96. Procurement for peacekeeping at Headquarters and at peacekeeping missions poses unique challenges that may not necessarily exist for procurement at Headquarters. Procurement in peacekeeping missions is generally conducted in areas of socio-economic and political instability, where, the local business sector is often unable to take advantage of opportunities to do business with the United Nations. Existing local market conditions and insufficient available suppliers often make it difficult to do business with local vendors from developing countries and countries with economies in transition during the start-up phase of missions. These circumstances require responsive, multi-service procurement operations. The need to satisfy new and rapidly evolving operational requirements in a very short time frame is commonplace in dynamic peacekeeping operations, and failure to procure in a timely manner can have an adverse impact on the Organization's ability to implement its mandates. In order to be able to provide a rapid response to the demands of peacekeeping missions, it is necessary to have in place global contract instruments, which are sourced from all parts of the world.

97. Experience has shown that in peacekeeping missions, the majority of spending takes place during the first two to three years of operation. During this period when high-value contracts are put in place and a large proportion of acquisition is carried out based on existing system contracts entered into by Headquarters. These types of contracts attract multinational companies since they are able to fulfil the unique requirement of quick delivery throughout the world. Some suppliers monitor global events and seek to be well positioned or to move into a region of conflict/disaster before or soon after organizations of the United Nations system in order to establish logistic capacity and to take advantage of United Nations procurement opportunities. These global vendors employ their vast experience and resources in devising strategies to position themselves in local and regional markets.

Table 8
Procurement for peacekeeping operations: 2005 and 2006
(In United States dollars)

	Department of Peacekeeping Operations, Headquarters		*Department of Peacekeeping Operations, field missions*		*Total*	
	Amounts	*Percentage*	*Amount*	*Percentage*	*Amount*	*Percentage*
2005						
Industrialized countries	294 485 170	49.0	422 698 094	50.5	717 183 264	49.8
Developing countries and economies in transition	306 759 451	51.0	414 875 095	49.5	721 634 546	50.2
Total	**601 244 621**		**837 573 189**		**1 438 817 810**	
2006						
Industrialized countries	219 467 523	36.5	489 746 496	41.4	709 214 019	39.8
Developing countries and economies in transition	381 156 260	63.5	693 159 086	58.6	1 074 315 346	60.2
Total	**600 623 783**		**1 182 905 582**		**1 783 529 365**	

98. In 2006, the total value of procurement for peacekeeping operations increased by 24 per cent over the previous year. The value of procurement for peacekeeping operations in developing countries and countries with economies in transition reached $1,074 million, an increase of 49 per cent over 2005. During the same period, the value of procurement for peacekeeping operations in industrialized countries totalled $709 million, representing a decrease over 2005 ($717 million). As a result, the percentage of procurement for peacekeeping operations in developing countries and countries with economies in transition rose from 50.2 per cent in 2005 to 60.2 per cent in 2006.

5. Enhancing practices and processes

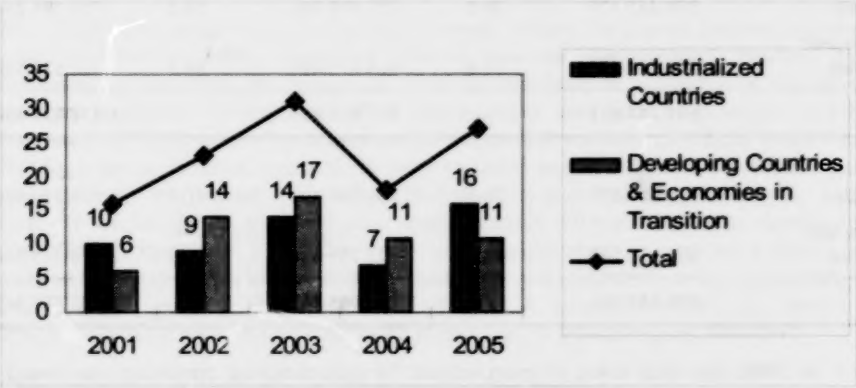
99. It is imperative that, in examining the proposed measures contained in the present report, it remains clear that the fundamental principles of United Nations procurement activities remain intact. The core principles, namely the awarding of contracts in a fair and transparent manner through an internationally competitive bidding process to a qualified vendor, deemed to be the most responsive to the

requirements set forth in any solicitation document and evaluated to provide best value for money in the best interest of the Organization, all factors considered, the overall objective. To further competition, the Secretariat continues to encourage bidders from all Member States to supply goods and services. Therefore, in implementing any new mandate of the General Assembly, the Secretariat will endeavour to ensure that the procurement process is managed efficiently, transparently and cost-effectively, while ensuring that the international character of the Organization is fully respected.

100. The ability of the Procurement Division to influence the geographical awarding of contracts is restricted under the existing United Nations Financial Regulations and Rules and current procurement procedures. The awarding of contracts is dependent on the active participation of vendors in the individual solicitation exercises and the competitiveness of the offers made by vendors participating in each solicitation exercise. The Division has identified a number of areas in which improvements can be made in continuing increasing opportunities for vendors from developing countries and countries with economies in transition.

Targeted business seminars

Figure VIII
Number of business seminars held by the Procurement Division



101. In its resolution 57/279, the General Assembly welcomed the efforts made by the Secretary-General to hold procurement seminars in various cities, in particular those located in developing countries and countries with economies in transition. Business seminars organized in the developing regions by the Procurement Division appear to have afforded opportunities for increased participation of recipient countries in the procurement activities of the United Nations system.

102. The Secretariat has undertaken a new proactive approach by organizing targeted and focused educational and informational programmes to increase the awareness of vendors from countries identified as potential suppliers but which may not be participating in, and therefore benefiting from, United Nations procurement. It is also encouraging the conduct of more regional business seminars by both Headquarters and field mission personnel in order to raise the awareness of potential vendors of opportunities presented by United Nations procurement. The aim is to tailor programmes, allowing for specific content focused on local circumstances.

The Secretariat also held nine regional preparatory meetings with representatives of Member States in September 2006, following which procurement staff visited six countries.

103. Following their participation in business seminars, individual vendors are responsible for taking the necessary follow-up action to become registered as potential vendors. It should be noted that there may be a time lag between holding business seminars and the actual registration and possible increase in the participation of businesses in the United Nations procurement process, and thus in realizing expected potential benefits. Having been informed of the needs of the United Nations, vendors from developing countries and countries with economies in transition must make the necessary adjustments to their productive capabilities and, where necessary, their mode of operations in order to meet the standard of goods and services required by the United Nations, which may include the substantial "after-sale services in-country", ability to ship goods across different countries and mitigation of contractual risks via performance bonds or similar financial instruments. As part of the initiative to improve the effectiveness of business seminars, the United Nations will also seek the cooperation of Member States in designating focal points, through local business associations, chambers of commerce or trade representatives, to provide assurance in identifying potential local vendors that can supply critical commodities and services to the Organization.

Table 9
Completed and planned business seminars for 2006 and 2007

	Developing countries		*Countries with economie in transition*		*Industrialized countries*		
Period	*No.*	*Percentage*	*No.*	*Percentage*	*No.*	*Percentage*	*Total*
2006	4	50.00	0	0.00	4	50.00	8
2007							
Completed as at 31 October	13	43.33	3	10.00	14	46.67	30
Planned	2	40.00	0	0.00	3	60.00	5
Total	**19**		**3**		**21**		**43**

104. The Secretariat has intensified its efforts to facilitate and organize more business seminars in countries where vendors have expressed interest in doing business with the United Nations as well as in countries where such interest may not have been expressed but where market research indicates that potential suppliers of specific goods and services may be available.

105. The Secretariat conducted eight business seminars in 2006. As of 31 October 2007, 30 business seminars have been conducted and an additional 5 are planned for before the end of the year, by which time approximately 52.2 per cent of all such seminars will have been conducted in developing countries and countries with economies in transition.

Increased dissemination of information and extensive market research

106. The United Nations is strengthening collaboration with field-focused entities, including the United Nations information centres and UNDP, with a view to improving ways of disseminating information at the grass-roots level on procurement opportunities within the United Nations system. This is being done in addition to the holding of business seminars and the twice-monthly publication *United Nations Development Business*. In this regard, the United Nations continues to distribute newly developed digital video discs (DVDs) to local business institutions, replacing the video cassettes produced several years ago. A wealth of procurement information useful to vendors is also provided on the new website, which focuses on targeting potentially new vendors.

107. The Secretariat also intends to review and issue, other informational tools, including a more comprehensive "General Business Guide" in a small compact booklet for potential suppliers, which will more succinctly outline procedures to engage in business with the organizations of the United Nations system (accompanied with relevant contact information, addresses and phone/fax numbers). Additionally, the simple brochure containing "practical tips" for doing business with the United Nations is being upgraded. These efforts are all aimed at strengthening the linkage between vendor registration and focal points in vendor countries, including trade agencies or business associations, representatives of missions of Member States to the United Nations and local officials.

108. In addition to posting information on the website of the Procurement Division, the United Nations issues requests for expressions of interests via automated e-mails to the missions of Member States in order to ensure the widespread dissemination of such information. The missions can further assist the United Nations by ensuring that their e-mail addresses are current and that the information provided is widely circulated in a prompt manner to their local business constituents.

109. The Procurement Division currently advertises its annual "acquisition plan", which is constantly being updated. The plan represents a projection of requirements from offices and departments at Headquarters, the Department of Field Support and offices away from Headquarters. The General Assembly has already welcomed the electronic announcement of the awarding of United Nations contracts through procurement updates, issued by the United Nations Global Marketplace via the Internet, and it has encouraged the Secretary-General to make further use of this medium. The Secretariat has also taken further steps to improve the availability and timeliness of information relating to current and forthcoming procurement opportunities.

Greater delegated local procurement authority

110. The Secretariat endeavours to increase local procurement for mission requirements, taking into account the need for efficiency, and to encourage interested local vendors to apply for registration on the procurement roster. The General Assembly has also noted (resolution 55/247, para. 17) the increase in the delegation of authority to the field in procurement activities and the Secretariat continues to ensure that there is capacity in field missions to perform the procurement functions properly. Efforts continue to establish effective and efficient mechanisms at Headquarters for monitoring procurement in the field.

111. The Secretariat encourages procurement from developing countries and countries with economies in transition within the region of any peacekeeping operation whenever it is deemed efficient and cost-effective to do so. The Secretariat has supported the idea that procurement authority should be delegated at the start of a field mission and that the financial limits should reflect the mission's specific procurement needs and its ability to manage that responsibility. Procurement authority is delegated to those individuals who have been duly designated and therefore increased authority will be delegated only to missions where individuals have demonstrated full compliance with United Nations Financial Regulations and Rules and other directives.

112. Increased delegated authority to peacekeeping missions encourages local procurement and serves as the rationale for the recent increase in the local procurement authority for the "core requirements". Core requirements are essentially goods and services, which, by their very nature or due to market conditions, are not available through Headquarters contracts and, therefore, lend themselves to local procurement. Core requirements, which were established to "enhance operational efficiency", and authorize missions to procure up to an annualized financial limit for commitments to a single contractor in respect of a single requisition or series of related requisitions of $1 million, have released peacekeeping missions from the obligation to request a local procurement authority for core requirements up to $1 million. As the result of a joint initiative between the Department of Field Support and the Procurement Division, a revised and expanded list of core requirements was approved by the Controller and circulated to all missions by the Assistant Secretary-General/Office of Mission Support/Department of Peacekeeping Operations on 23 February 2007. This will provide clarification on the 12 items contained in the original list and add another 8 items in order to enhance the operational efficiency of the peacekeeping missions and increase opportunities for local vendors.

113. With the increase in delegation at the mission level, peacekeeping missions are encouraged to issue requests for proposals and invitations to bid from the mission area rather than having these solicitation documents issued by Procurement Division in New York. Delegation of authority is done with due diligence and in an environment of strict compliance with internal control measures. In addition, the Secretariat is currently considering a revision of the delegation of authority and the financial threshold of the Headquarters Committee on Contracts, which may also favourably impact on local acquisition.

Effects of the streamlining and simplification of the vendor registration and management processes

114. The Secretariat has taken careful note of the concern of Member States that the vendor registration mechanism may introduce inequality in the way the companies that wish to be registered with the United Nations are treated. Vendor registration is considered as a crucial phase in the procurement process and the Secretariat is therefore reviewing its registration criteria with a view to simplifying the process and ensuring that all vendors have an equal opportunity to register as potential suppliers of the Organization.

Figure IX
Increase in total number of approved registered vendors: 2003-October 2007

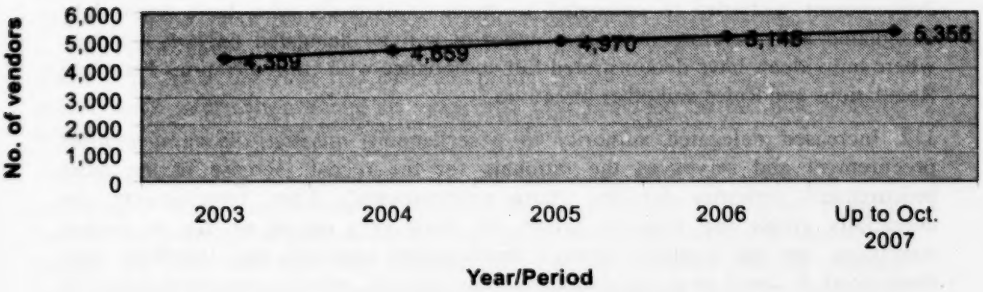


Table 10
Change of vendor registration in developing countries and countries with economies in transition and in industrialized countries: 2003-October 2007

No. of approved vendors	*Developing countries and countries with economies in transition*	*Change (Percentage)*	*Industrialized countries*	*Change (Percentage)*	*Total*
2003	729	—	3 630	—	4 359
2004	800	10	3 859	6	4 659
2005	882	10	4 088	6	4 970
2006	924	5	4 221	3	5 145
Up to October 2007	978	—	4 377	—	5 355

115. The Secretariat has been successful in increasing the number of registered vendors from all country groupings. During the period from 2004 to 2006, the percentage increase in the number of registered vendors from industrialized countries averaged 5 per cent whereas for developing countries and countries with economies in transition the increase was 8.33 per cent. It is worth noting that, with a much smaller number of registered vendors, developing countries and countries with economies in transition have done relatively well in terms of the total value of procurement activities, securing more than 53 per cent of total United Nations procurement over the period. The data indicates that vendors from developing countries and countries with economies in transition who are registered with the United Nations are, on average, four times more successful than vendors from industrialized countries. This is partly attributable to the success of United Nations outreach to vendors in these countries and to the large number of contracts related to the procurement of major items.

116. The value of procurement from developing countries and countries with economies in transition would be much higher if the value of goods and services procured via letters of assist were taken into account. According to the Procurement Manual, a letter of assist is a contractual document issued by the United Nations authorizing a government to provide goods or services to a United Nations peacekeeping operation. Letters of assist are only used in exceptional circumstances to supply goods and services to the United Nations, for instance if the goods are of a strictly military nature or when the goods or services are not readily available commercially. Therefore, letters of assist are mainly used for troop-contributing countries engaged in peacekeeping operations. At least 85 per cent of all goods and services provided via such letters directly benefit the economies of developing countries and countries with economies in transition. However, the value of these letters is not revealed in official United Nations statistics on procurement activities because these agreements are not executed by the Procurement Division.

117. Section 7 of the Procurement Manual requires that in order to register a local company as a potential United Nations supplier, companies must produce the required financial data and supporting documentation. It also provides, in section 7.7.1, that the Procurement Division shall establish minimum standards for registration in the applicable vendor database. The Secretariat is aware of the challenges faced by vendors in certain parts of the world in providing the necessary documents to satisfy the criteria for registration, particularly in war ravaged countries or countries evolving from conflict. Where necessary, there should be flexibility in such circumstances, to ease the registration requirements related to the production of the necessary banking and/or financial documents, while ensuring that vendors have the ability and the reliability required for doing business with the United Nations.

118. The joint working group established to review the vendor registration process at the Secretariat, that is, at Headquarters, peacekeeping missions and offices away from Headquarters, has produced a document with recommendations to simplify the vendor registration process and, in particular, to define and streamline the minimum criteria required to set a threshold. This follows the decision at the conference of chief procurement officers in January 2007 to establish a working group with the objective of making proposals for the improvement and harmonization of the existing vendor registration system.

119. The Secretariat will ensure that such standards are set at reasonable levels in order to ensure that vendors from developing countries and countries with economies in transition are not discouraged from the registration process. The Secretariat is cognizant of the concerns that the present method for awarding points to vendors may serve as a potential obstacle to the registration of vendors from these countries at Headquarters and intends to review the points system currently used in the vendor registration as part of its ongoing review of the registration process, in light of the development of the United Nations Global Marketplace and the pending migration of the Secretariat procurement operation and process to this single portal.

Initiatives for increasing opportunities for vendors in developing countries and countries with economies in transition

120. Although the percentage of business being done with vendors from developing countries and countries with economies in transition has increased significantly (53 per cent), the Secretariat will continue to press on with current as well as a

number of newly proposed initiatives. The following summarizes the ongoing initiatives of the Secretariat aimed at increasing the opportunities for vendors from these countries:

(a) Move from generic to targeted business seminars;

(b) Increased dissemination of information and extensive market research;

(c) Greater delegation of local procurement authority for core requirements;

(d) Streamlining and simplification of the vendor registration and management processes.

121. The proposed measures for increasing the volume of procurement from developing countries and countries with economies in transition include the establishment of business centres in selected peacekeeping missions on a trial basis in the next financial period and increasing partnership and cooperation with other organizations of the United Nations system and Member States.

Business centres

122. The General Assembly, in its resolution 54/14, requested the Secretary-General to direct field offices to encourage interested local vendors to apply for registration on the Procurement Division vendor roster with a view to broadening its geographical base. With that in mind, the Secretariat is considering the modalities for introducing local "business centres or trade points" at peacekeeping missions in order to create a mechanism by which local vendors at these locations can be provided with information on a regular basis on how to do business with the United Nations and encouraged to access the Internet to register as potential vendors to the organizations of the United Nations system. It is planned to try out the concept at two peacekeeping missions in the coming financial period, subject to resource availability.

123. Through the proposed business centres, the United Nations will be well positioned to assist local suppliers in developing countries to breach the technological gap in gaining access to the international marketplace and to act as a technical base for vendors who wish to do business with the United Nations and the organizations of the United Nations system. Moreover, the Organization will be in a position to provide continuous training, business guidance, practical tips and information to local vendors wishing to register as potential suppliers, thereby increasing their delivery capacities to new markets as they arise. This would also allow the United Nations to optimize its investment through the increased use of the services of the United Nations Global Marketplace.

Partnerships

124. In accordance with the United Nations Financial Regulations and Rules (rule 105.17), the Secretariat will consider increasing cooperation with other organizations of the United Nations system to meet procurement requirements of the United Nations. Such cooperation may include the execution of common procurement decisions of other organizations of the system and may be approved under the authority vested in the Under-Secretary-General for Management, under financial rule 105.16 (a) (iii), to allow an exception when the proposed procurement

contract is the result of cooperation with other organizations of the United Nations system.

125. Considering that the total value of United Nations procurement averages approximately 23 per cent of the total value of procurement of the organizations of the United Nations system, and that other organizations of the system do more business with vendors from developing countries and countries with economies in transition than the United Nations, the Secretariat will seek to cooperate to a greater degree with those organizations for the benefit of both the United Nations and vendors from these countries. In that regard, the Secretariat will continue to explore opportunities to engage the services of other organizations of the United Nations system in order to enhance its procurement practices. Such joint activities might be useful in cases where the United Nations does not possess the experience with the requirements or when the use of traditional United Nations procurement methodology and/or processes do not result in creative and cost-effective solutions to meet the Organization's needs.

126. The Secretariat has considered a number of other issues in exploring ways to further increase procurement opportunities for developing countries and countries with economies in transition, some of which could be considered contrary to the principles of United Nations procurement as stipulated in the United Nations Financial Regulations and Rules and the Procurement Manual. Some of the approaches considered by the Secretariat may be perceived as being counter to the fair treatment of all vendors and as biasing the results of open competition, thus putting the entire United Nations procurement function at risk, as there are numerous consequences flowing from the implementation of these measures. As previously mentioned, it is imperative that, in assessing the proposed measures contained in the present report, the fundamental principles of United Nations procurement activities remain intact. For that reason, they should be carefully analysed before actual implementation is considered.

Special solicitation clause

127. Although there is no specific mandate under the existing United Nations Financial Regulations and Rules governing United Nations procurement to promote local capacity-building, the Secretariat recognizes the aspiration of some nations to do so. Therefore, the Secretariat may introduce special criteria in requests for proposal and invitations to bid requiring vendors to submit, as part of their proposal for major contracts, a plan for local capacity-building and the use of local vendors for the supply of local goods and services through subcontracting, for which points will be awarded as part of the evaluation criteria for recommending the award of contracts. The development of such an approach may prove to be difficult with regard to keeping track of subcontractors as assured by the primary vendors.

Modification of preselection and evaluation criteria

128. The Secretariat has established vendor preselection criteria in order to ensure fairness and wider geographical distribution when inviting vendors to tender solicitations. The list of suppliers for a tender in respect of a particular product or service is created in accordance with the commodity code, which includes the past performance and reliability of the supplier, together with the financial assurance of the bidder in fulfilling the requirement. The Secretariat has taken note of a previous

recommendation from OIOS (AN/2001/61/1) that criteria in requests for proposal should be carefully established to draw middle-sized companies, which constitute the majority of vendors in developing countries and countries with economies in transition, into the competition for contracts. This ensures that whereas the United Nations seeks to encourage vendors from developing countries and countries with economies in transition, the strictest possible adherence to the technical requirements for implementation of any activity for which public funds are utilized is observed. At the same time, it ensures that technical barriers to trade are not used to deprive any vendor of benefiting from United Nations procurement opportunities. The Secretariat is careful that product requirements and standards do not create unnecessary obstacles to business and that where there is absolute need to adhere to technical specifications or associated terms these requirements are legitimate and not more restrictive than necessary.

Joint ventures

129. This proposal seeks to encourage bidding by vendors as part of joint ventures, either with local, regional and/or with foreign firms, in order to enhance overall competitiveness. This allows for more joint business ventures with vendors from developing countries and industrialized countries.

System-wide efforts

Activities of the Inter-Agency Procurement Working Group

130. In response to previous General Assembly resolutions, the Inter-Agency Procurement Working Group now holds more meetings in developing countries and countries with economies in transition. Pursuant to paragraph 8 of General Assembly resolution 59/288, the issue of "Diversity of sources of procurement" has been included as an agenda item at the annual meeting of the Working Group.

131. Over the last few years, the Procurement Division has initiated several meetings with regional groupings of developing countries and countries with economies in transition to discuss, among other things, the creation of more opportunities for increasing vendor participation in United Nations procurement activities. The Secretariat has been instrumental in the selection of venues in developing countries for inter-agency meetings and it will continue to work with other organizations of the United Nations system, within the framework of the Inter-Agency Procurement Working Group, to hold regular meetings in developing countries in order to help increase the general awareness of United Nations procurement activities. The most recent such meeting took place in South Africa, in June 2007.

132. The Inter-Agency Procurement Working Group continues to study ways to diversify the sourcing of goods and services, in particular from developing countries and countries with economies in transition, and to encourage the organizations of the United Nations system, consistent with their respective mandates, to take further steps to increase procurement opportunities for vendors from these countries. In line with the requests of the General Assembly and the decisions of the Executive Boards of other United Nations agencies, all organizations of the United Nations system are making great efforts to identify new sources of supply in order to expand the geographical distribution of United Nations procurement opportunities. Now that the Working Group will be reporting directly to the High-level Committee on

Management, under the new Procurement Network, there will be greater impetus for increased synergies among United Nations procurement entities.

International Trade Centre

133. The new approaches outlined above are bolstered by the participation of United Nations agencies (including UNICEF, WFP, UNDP/Inter-Agency Procurement Services Office, etc.) in initiatives such as the "Buying for Africa from Africa" programme of the International Trade Centre. The expansion of this programme to regions such as Asia and the countries of the Commonwealth of Independent States is currently being explored. The Trade Centre also encourages business advocacy at major international trade forums, such as the ministerial conferences of the World Trade Organization, for the benefit of developing countries and countries with economies in transition. The United Nations intends to utilize the services of the International Trade Centre, the only agency of the United nations system dedicated solely to providing technical help to small and medium-sized firms seeking to gain a greater share of world trade, in its continued efforts to increase the share of vendors from developing countries and countries with economies in transition in United Nations procurement activities.

Responsibilities of Governments and other stakeholders

134. While the Secretariat will continue to seek new ways to increase business opportunities for vendors from developing countries and countries with economies in transition, it is recognized that Member States and individual entities also have a responsibility to ensure that vendors are well placed to satisfy the needs of the international market and to take advantage of increased United Nations procurement opportunities. Ultimately, vendors are responsible for ensuring that they develop their productive capabilities to produce quality goods and services at a competitive price in order to increase their share of the competitive international market. Vendors in developing countries and countries with economies in transition need to seek out new business opportunities, to become acquainted with specific markets and to demonstrate a willingness to adapt their commercial and technical strategies to meet United Nations procurement requirements.

135. In this regard, trade representatives from the missions of Member States to the United Nations should demonstrate greater interest in participating in preparatory meetings with United Nations procurement officials and should encourage vendors from their countries to take active steps to participate in business seminars and take follow-up action to ensure that they are registered as potential suppliers of the United Nations and the organizations of the United Nations system through the United Nations Global Marketplace.

136. The statistics on United Nations procurement show a significant increase in the market share (53 per cent in 2006) for vendors from developing countries and countries with economies in transition doing business with the United Nations. Based on this performance, Member States may wish to acknowledge whether the appropriate level of equitable geographical distribution has been reached, or, alternately, provide a reasonable threshold accepted by all stakeholders to be used by the Procurement Division to establish achievable benchmarks.

D. Environmentally friendly and sustainable procurement

137. Although this initiative is not part of the reform programme outlined in the report of the Secretary-General (A/60/846/Add.5 and Corr.1), there is currently increased public scrutiny over how the United Nations operates and the environmental impact of its activities. Following meetings of the Secretary-General's Policy Committee in 2006 and 2007, the United Nations Environmental Management Group was requested to take a leading role in "greening" the United Nations and making the Organization "climate neutral". The Environmental Management Group has embraced the responsibility for promoting the concept of sustainability throughout the United Nations system, providing policy direction and material support, including the declared commitment of CEB and the heads of United Nations organizations. The Secretariat is encouraged that the Group has agreed to develop policies through high-level endorsements and subsequent legal and procedural modifications to ensure the inclusion of sustainability considerations in United Nations corporate procurement and facilities management rules.

138. The advancement of the concept of "green" or environmentally friendly procurement is already taken into account in the implementation of specific projects such as the capital master plan and will continue to be part of the medium- to long-term reform efforts of the Procurement Division. As part of its ongoing efforts to simplify and streamline its vendor registration process, the Secretariat is considering the inclusion of criteria requiring evidence of policies on sustainable procurement practices or evidence of an environmental risk assessment report from large suppliers interested in securing high value contracts from the United Nations. This is intended to heighten the awareness of the issue of sustainability and to assist procurement officers in determining the environmental impact of proposals for the procurement of goods and services, in particular those related to building construction, transportation and the introduction and or use of technologies. The issue of sustainability in procurement is also discussed with prospective suppliers during the conduct of business seminars on how to do business with the United Nations.

139. The Secretariat is also establishing direct electronic linkage to the official websites related to sustainable development in order to help increase awareness and encourage corporate social responsibility. For example, the United Nations has already established a direct link with the Global Compact via its website and will continue to raise awareness among all staff, via the Internet and extranet networks of the Procurement Division, in order to build an organizational culture that understands the need to advance sustainability in the acquisition process. In this regard, the Division will take immediate action to inform all procurement-related staff of the Division's strategic position on the subject and will publish its position thereon on both the Internet and extranet.

140. The Secretariat will continue to report to the General Assembly on progress achieved in this matter as and when necessary. It is envisaged that in order to embark upon this critical project in the near future, there will be a need to engage new expertise, over and above the level of an operational procurement officer, to place the Procurement Division in a better position to address issues related to environmentally friendly and sustainable procurement. To ensure that matters pertaining to sustainable procurement are given due consideration throughout the acquisition process, the Division is contemplating the assignment of a staff member

to focus on issues directly linked to its efforts to heighten interest in sustainable procurement.

E. Increased capacity

141. Additional resources have been approved under the support account for peacekeeping operations for the financial period starting from 1 July 2007 to 30 June 2008 and the capacity of Procurement Division has been strengthened by 33 posts approved by the General Assembly, which have been used to regularize temporary positions (18 posts for general temporary assistance or mission replacement) and have brought new capacity and expertise (15 posts) to procurement operations. Nonetheless, with the surge of peacekeeping activities as a result of the establishment of new missions, including the United Nations Mission in the Sudan (UNMIS), with an estimated budget of $2.4 billion, and with the planning of new ones (for example, in Chad), pressure on the Organization's procurement resources will continue to increase and the Secretariat may request additional funds in the near future.

142. One critical area that needs to be strengthened is acquisition support for information and communications technology. The complexity and volume of such procurement require dedicated and technically competent staff to ensure that the Secretariat receives support commensurate with the information and communications technology challenges involved in the acquisition, implementation and maintenance of critical projects led by the Chief Information Technology Officer. In order to improve the procurement support in this area, the Secretary-General is considering the establishment of a new section exclusively responsible for such procurement, independent of the current Field Procurement Section.

143. The existing office space of the Procurement Division is inadequate. It is no longer feasible to accommodate the full compliment of procurement staff within the present premises. With the likely approval of new positions, the capacity of the Division will soon exceed 110 staff members. Additional space will therefore be required to accommodate the increasing number temporary staff and consultants and to provide conference room facilities. In light of the importance of the effective functional relationship among the various sections, to ensure efficient operation of the Division, along with the need for close communication between the Office of Director, the office of chiefs and the staff of the entire Division, it is highly advisable that the Division be located in a single site.

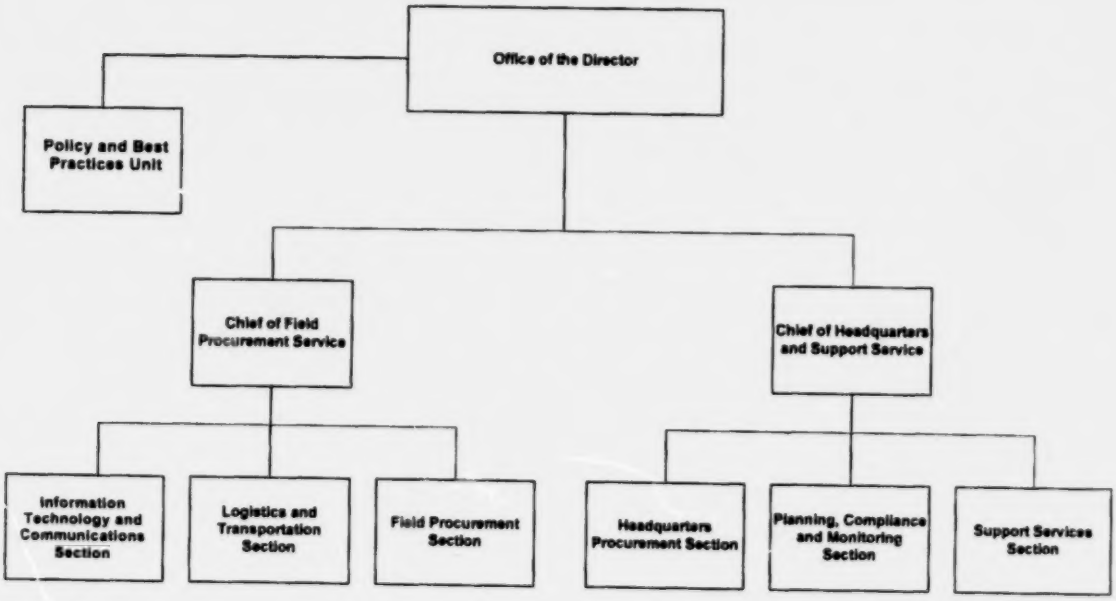
F. Conclusion

144. The Secretary-General remains committed, as a matter of priority, to the implementation of all of the initiatives described in the present report. The number of procurement reform programmes currently undertaken by the Secretariat, including increased operating capacity, staff training, the implementation of the enterprise resource planning system and increasing opportunities for vendors from developing countries and countries with economies in transition in United Nations procurement, will continue to present challenges and will require the long-term commitment of all stakeholders. With continued support from Member States, national Governments and vendors, the Secretariat is confident that the ongoing

measures will bring about significant improvement in the United Nations procurement reform. The Secretary-General will continue to pursue the reform programme as presented to Member States and remains committed to flexibility with regard to the demands of the commercial environment. The Secretary-General intends to provide the General Assembly with updates on procurement reform activities every 24 months, following the practice adopted since the forty-ninth session of Assembly, focusing on strategic management issues.

Annex

Organization chart of the Procurement Division


Office of the Director
Policy and Best Practices Unit
Chief of Field Procurement Service
Chief of Headquarters and Support Service
Information Technology and Communications Section
Logistics and Transportation Section
Field Procurement Section
Headquarters Procurement Section
Planning, Compliance and Monitoring Section
Support Services Section